

## Message Text

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67

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-10 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SPC-03 SS-20 STR-08 TRSE-00 PA-04 PRS-01

USIA-15 DRC-01 /168 W

----- 018149

R 131600Z FEB 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 6214

INFO AMEMBASSY CARACAS

AMEMBASSY GUATEMALA

YO

AMEMBASSY MANAGUA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

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E.O. 11652: N/A

TAGS: ENRG, ETRD, EIND, NS

SUBJECT: GASOLINE PRICES RAISED

REF: SAN JOSE 3506, OCTBE

2, 1973

1. BEGIN SUMMARY: EFFECTIVE THE MORNING OF  
FEBRUARY

12, THE WHOLESALE AND RETAIL PRICES OF  
GASOLINE, DIESEL, KERSONESE AND BUNKER HAVE BEEN  
OFFICIALLY RAISED. THE EXTENT OF THE PRICE HIKE WILL  
CAUSE A CONSIDERABLE SACRIFICE ON THE PART OF MOST  
COSTA RICANS. END SUMMARY.

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2. UNDER THE TERMS OF A DECREE ISSUED FEBR-

UARY 12,  
 GASOLINE, WHICH WAS RETAILING FOR 4.50 COLONES (ABOUT  
 U.S. 67 CENTS) IN SAN JOSE WILL NOW COST AREA SERVICE  
 STATIONS 7.85 COLONES AND THE PUBLIC 8.40 COLONES  
 (\$1.26). DIESEL, WHICH IS THE PRINCIPAL FUEL USED BY  
 TRUCKS, TAXIES, AND BUSES, WILL NOW COST THE SAN JOSE  
 MOTORIST 3.9 COLONES (\$0.58) AS OPPOSED TO THE OLD  
 PRICE OF 1.43. THE RETAIL PRICE FOR KEROSENE IN SAN  
 JOSE HAS BEEN RAISED FROM 2.08 COLONES TO 4 COLONES.

3. EXCEPT FOR BUNKER, FOR WHICH A NEW MAXIMUM  
 PRICE OF 2.90 COLONES HAS BEEN ESTABLISHED, PRICES  
 VARY SLIGHTLY IN OTHER PARTS OF THE COUNTRY AS REFLECTED  
 IN THE FOLLOWING TABLE:

AREA	PRICE OF GASOLINE	
	TO STATION	TO PUBLIC
ZONE 1	(4.00) 7.77	(4.40) 8.32
ZONE 2	(4.05) 7.82	(4.45) 8.37
ZONE 3	(4.10) 7.85	(4.50) 8.40
ZONE 4	(4.15) 7.90	(4.55) 8.45
ZONE 5	(4.20) 7.95	(4.60) 8.50

AREA	PRICE OF DIESEL	
	TO STATION	TO PUBLIC
ZONE 1	(1.01) 3.57	(1.28) 3.82
ZONE 2	(1.17) 3.62	(1.33) 3.87
ZONE 3	(1.19) 3.65	(1.43) 3.90
ZONE 4	(1.24) 3.70	(1.48) 3.95
ZONE 5	(1.29) 3.95	(1.53) 4.00

AREA	PRICE OF KEROSENE	
	TO STATION	TO PUBL
ZONE 1	(1.60) 3.52	(1.92) 3.92
ZONE 2	(1.65) 3.62	(1.97) 3.97
ZONE 3	(1.73) 3.65	2.08 4.00
ZONE 4	(1.78) 3.70	(2.13) 4.05
ZONE 5	(1.83) 3.75	(2.18

.10

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ZONE 1: LIMON CITY AND SUBURBS; ZONE 2: REST OF  
 LIMON CANTON; ZONE 3: REST OF LIMON PROVINCE, CITY  
 OF SAN JOSE, CA  
 TAGO PROVINCE, PARTS OF HEREDIA,  
 ALAJUELA, AND SAN JOSE PROVINCES; ZONE 4: PARTS OF  
 ALAJUELA, GUANACASTE, PUNTARENAS, AND SAN JOSE  
 PROVINCE; ZONE 5: REST OF ALAJUELA, HEREDIA, PUNTA

ENAS,  
AND GUANACASTE PROVINCES.

4. COMMENT EMBOFF DISCUSSION WITH REFINERY  
MANGER, PAUL COVERSTON, CONFIRMS THAT THESE PRICE  
HIKES ARE "QUITE ADEQUATE". ACCORDING TO COVERSTON  
THEY ARE DESIGNED TO PASS THE RISE IN THE PRICE OF CRUDE OIL  
ON ENTIRELY TO THE PUBLIC, PLUS SOME. COVERSTON CLAIMS  
PRICE CALCULATIONS WERE BASED ON AN IMPORT PRICE FOR  
CRUDE OIL \$15 A BARREL AS OPPOSED TO THE CURRENT  
VENEZUELA PRICE OF \$14.75. (BECAUSE OF A RECENT CREDIT  
ARRANGEMENT WITH SHELL OF VENEZUELA THE ACTUAL  
PURCHASE PRICE IN COSTA RICA IS EVEN LOWER, I.E.  
\$13.55 A BARREL.) FURTHERMORE, THE PURCHASE PRICE IN  
COLONES IS BEING CALCULATED AT THE YET TO BE ESTABLISHED  
NEW UNIFIED EXCHANGE RATE OF 8.60 COLONES TO THE DOLLAR  
AS OPPOSED TO THE ACTUAL OFFICIAL  
RATE OF 6.68 COLONES.

5. THIS PRICE CUSHION WILL HELP REPAY THE  
GOVERNMENT-OWNED REFINERY FOR THE LOSSES IT HAS BEEN  
ABSORBING OVER THE PAST FEW MONTHS WHEN RETAIL PRICES,  
ESPECIALLY FOR DIESEL, WERE HELD AT ARTIFICIALLY LOW  
LEVELS. BESIDES ABSORBING THIS LOSS, THE REFINERY  
WAS ALSO SADDLED WITH THE PAYMENT OF A DEBT OF \$2.6  
MILLION OWED TO ITS FORMER OWNER, ALLIED CHEMICAL  
CORPORATION. THIS DEBT TO ALLIED HAS NOW BEEN  
COMPLETELY REPAYED AND THE ONLY OUTSTANDING OBLIGATIONS  
AT ALLIED AMOUNT TO SOME \$150,000 FOR A FEW MISCELLANEOUS  
EXPENSES, MOSTLY FREIGHT COSTS, WHICH WERE INCURRED BY  
THE REFINERY AFTER ITS OFFICIAL TRANSFER TO THE GOVERN-  
MENT  
ON OCTOBER 1, 1973.  
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6. WHILE THE PRICE RISE THUS LOOKS LIKE A "GOOD DEAL"  
FROM THE RE-  
FINERY'S VIEWPOINT, FEW COSTA RICANS ARE

LIKELY TO REJOICE IN RECOPE'S GOOD FORTUNE. THE HIKE

WILL MOST CERTAINLY DISCOURAGE NON-ESSENTIAL FUEL  
CONSUMPTION, AND THIS IS GOOD. HOWEVER, IT WILL ALSO  
HIT HARD AT THE ESSENTIAL TRANSPORTATION SECTOR AND IS  
BOUND TO HAVE A SNOWBALLING INFLATIONARY  
EFFECT ACROSS-  
THE-BOARD ON ALL PRODUCE SHIPPED WITHIN THE COUNTRY, AS  
WELL AS HAMPERING THE MOBILITY OF THE LABOR FORCE. THE

BIG DEMON HERE IS THE 161 PERCENT RISE IN THE COST OF DIESEL,  
WHICH, IN REALITY, WILL PROBABLY ONLY JUST COVER THE  
COST OF DIESEL IMPORTED FROM VENEZUELA IN 1974.  
(THE FACT THAT DIESEL EARLIER HAD BEEN RE-  
TAILING AT  
BELOW CARIBBEAN WHOLESALE PRICES HAD GIVEN RISE TO  
SOME CONTRABAND EXPORTS.) THE OVERALL IMPACT OF THIS RISE  
ON THE COSTA RICAN  
ECONOMY HAS YET TO BE ASSESSED. IT IS,  
PERHAPS, THE FIRST  
OVERT STRONG INDICATION OF THE EFFECTS  
WHICH THE WORLD ENERGY CRISIS ARE BOUND TO HAVE ON THIS  
SMALL DEVELOPING COUNTRY'S ECONOMY. THE GOCR WILL  
UNDOUBTEDLY BE ACCUSED OF CYNICISM--OR WORSE--IN  
DELAYING THE INCREASE UNTIL AFTER ELECTIONS; HOWEVER,  
THE HUSKY SIZE OF THE INCREASE, WHEN IT FINALLY CAME,  
SUGGESTS A WILLINGNESS--BELATEDLY--TO BITE THE BULLET  
AND TO ADJUST TO THE REALITIES OF THE WORLD OF 1974.  
LANE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** GASOLINE, PETROLEUM PRODUCTS, PRICES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 13 FEB 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** SAN JOSE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740235/aaaabgzb.tel  
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**Office:** ACTION EB  
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**Original Previous Handling Restrictions:** n/a  
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**To:** STATE  
**Type:** TE  
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